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TAGS: [ECON](#) [ETRD](#) [GH](#)  
SUBJECT: Ghana: Input for AGOA Eligibility Review

REF: A) STATE 132189

#### Country Background Summary

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¶1. Ghana is a country of about 22 million people with a constitutional democracy dominated by a strong presidency. President John Kufuor has governed since assuming office democratically in January 2001, succeeding Jerry Rawlings, who ruled for 19 years. Presidential elections are scheduled for 2008.

¶2. The Bank of Ghana estimated 2006 GDP to be about \$12.3 billion. The Government of Ghana (GoG) is pursuing generally sound monetary and fiscal policies. Real GDP growth has exceeded 5% annually starting in 2003 and was an estimated 6.2% in 2006. The growth has been accompanied by a significant decrease in poverty. In 1991, 51.7% of Ghana's population lived in poverty; for 2005/2006, the figure is 28.5%. In 2008, Ghana is expected to be the first sub-Saharan African country to reach the Millennium Development Goal of reducing the percentage of people living in poverty by 50%.

¶3. Ghana reached HIPC Completion Point in July 2004 and is a beneficiary of the Multilateral Debt Relief Initiative (MDRI). Total debt relief under HIPC and MDRI is expected to total more than \$400 million in 2007.

¶4. Overall U.S. trade with Ghana decreased in 2006 compared to 2005. U.S. exports to Ghana in 2006 were \$282 million and imports were \$192 million. Imports under AGOA (including GSP) also decreased to \$45 million from \$59 million in 2005. The first half of 2007, however, shows a rebound. Total trade increased about \$65 million (from about \$224 million to about \$290 million) compared to the same period in 2006 and imports under AGOA plus GSP nearly doubled from \$20.6 million to \$40.2 million.

#### Comments on Eligibility Requirements

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#### Market-based Economy

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#### ¶5. Major Strengths Identified

- Ghana has a market-based economy with relatively few barriers to trade and investment.
- The GoG has strengthened fiscal and monetary policies considerably over the past 10 years, reining in spending and borrowing, eliminating price controls and cutting subsidies.
- The improved policy performance, along with improving terms of trade stemming from increased cocoa and gold prices since 2002, has brought higher growth rates, falling inflation and interest rates, stable currency, and relatively strong foreign exchange reserves (about 2.5 months of import cover).
- The government turned over the regulation of fuel prices to an independent authority and prices now reflect costs. The government has committed to cost recovery tariffs for utilities by the end of

2007 and has already raised tariffs for commercial users.

-- According to the August 2007 Bank of Ghana Monetary Policy Committee Report, private remittances (transfers from NGOs, religious groups, and individuals) increased about 16% to \$3.17 billion for January-June 2007 compared to same period in 2006. Of the total, about 23%, or \$718 million accrued to individuals.

-- Encouraging foreign investment is a government priority. Ghana has attracted \$904 million in foreign direct investment since the beginning of the Kufuor Administration in January 2001. According to Bank of Ghana Balance of Payments data, Ghana attracted about \$335 million in foreign investment in 2006, compared to \$145 million in 2005.

-- In January 2007, Standard and Poor's affirmed Ghana's B plus sovereign debt rating, first issued in September 2003 and Fitch Rating Agency raised its rating to B plus in March 2005. The ratings serve as useful benchmarks to measure economic progress in Ghana.

-- The World Bank Doing Business Indicators published in 2007 showed that Ghana was one of the world's top ten reformers in 2006-2007.

#### 16. Major Issues/Problems Identified

-- The GOG faces serious challenges in continuing structural reforms and translating macro stability into widely shared prosperity. Income inequality is rising.

-- Labor productivity is low; most jobs generated over last 15 years are characterized by low pay and low productivity.

-- The fiscal deficit increased to more than 7% of GDP in 2006, in part due to one-off expenditures associated with the 50th Anniversary of Independence and hosting an AU Summit and the AGOA Forum. However, government spending on the public sector wage bill, utility subsidies and subsidies to state-owned enterprises also contributed substantially.

-- Ghana has privatized the majority of its parastatal companies, but progress has been slow on divestiture of some of the most prominent state-owned entities, including Ghana Telecom and the Tema Oil Refinery.

-- Domestic credit and subsidies to public utilities continue to present quasi-fiscal problems and the GoG has yet to resolve the management problems and inefficiencies in the state-owned utility companies.

-- U.S. firms have expressed concerns regarding the lack of transparency in government procurement, although there have been no formal complaints to the GoG. The concerns are mainly related to: 1) undefined timeframes for rendering decisions; 2) unclear bidding requirements; and 3) allegations of favoritism.

-- The business and investment climate, while improving at a good rate, remains challenging.

-- The GoG continues to pursue a practice of intervention in the economy. Investors typically cannot move forward without engaging the government at its highest levels. Returns on investment are relatively low.

-- Ghana is in the midst of a serious energy shortage caused by several months of low water levels at the Akosombo dam and past failure of government to make adequate investments in the energy sector to meet increasing demand. Ghana is putting in place expensive emergency generation capacity, which could exacerbate the fiscal deficit. Failure to address the issue sustainably will undermine Ghana's growth prospects and attractiveness to investors.

#### Political Reforms/Rule of Law/Anti-Corruption

#### 17. Major Strengths Identified

--The Kufuor Administration has pledged a commitment to ensuring the rule of law. Ghana has passed important anti-corruption legislation, including public procurement, audit, financial, and whistleblower laws.

-- The GoG worked to reduce the backlog in its courts by automating High Courts authorized to hear cases involving banks, investors, human rights, electoral petitions, government revenue, specified commercial and industrial cases and certain criminal cases.

-- The presidential elections of 2004 were peaceful, free, and transparent. Democracy continues to be vibrant, with the two major parties vigorously contesting each other, with a lively, free media and civil society. The Electoral Commission certified two new political parties in August 2006. Presidential and Parliamentary

elections are scheduled to take place in 2008.

#### 18. Major Issues/Problems Identified

- Police use of excessive force resulted in the deaths of several suspected criminals as well as in the deaths and injuries of several innocent bystanders. Members of the police beat suspects in custody, and police arbitrarily arrest and detain persons.
- Vigilante justice has increased sharply.
- Court delays persist, even in the "Fast Track" automated courts. At least one American investor encountered more than three years of repeated delays before a judgment was finally rendered.
- The integrity of the judicial system is compromised by corruption and a severe lack of financial, human, and material resources.
- Corruption is pervasive among all branches of government. Police set up barriers to extort money from motorists, and judicial officials accept bribes in exchange for expedited or postponed cases or losing records.
- Arbitrary arrest and detention, and prolonged pretrial detention, remain problems.
- Prison conditions continue to be harsh and life-threatening. Juvenile detainees are not housed in separate facilities.
- Anti-corruption institutions are weak. A survey done by the local affiliate of Transparency International revealed that 92 percent of respondents considered corruption a serious problem in Ghana.
- Parliament is weak; it does not have independent financial authority and is heavily influenced by the executive.

#### Poverty Reduction

#### 19. Major Strengths Identified

- Ghana's poverty reduction strategy is set out in its Growth and Poverty Reduction Strategy (GRPS) II, 2006-2009, which builds on GPRS I. The central objective of GPRS II is to increase growth to 8 percent annually in order to accelerate the pace of poverty reduction and progress toward achievement of other MDGs, and reach middle income status by 2015.
- Coordination with and among donors in support of poverty reduction is relatively strong, helping to minimize duplication and inefficiencies.
- Poverty declined, from about 42 percent in 1997 to 28.5 percent in 2005/2006.

Ghana has aggressively moved to take full advantage of the apparel benefit under AGOA and apparel exports increased in 2006 after a decline in 2005, even as overall exports under AGOA declined.

- Debt relief under HIPC and the MDRI will make about USD 1.3 billion available during the GPRS II period (2006-2009) primarily for support of goals under GPRS II.

#### 10. Major Issues/Problems Identified

- Ghana continues to have significant levels of poverty, particularly in certain regions where rural poverty tops 90 percent, and income inequality is increasing.
- The government's actual commitments do not always back up the rhetoric. For example, education and health spending as a percentage of GDP is flat and donors pick up about 90 percent of the water and sanitation development budget which includes infrastructure, training and capacity building.

#### Workers' Rights/Child Labor/Human Rights

#### 11. Major Strengths Identified

- Labor unions enjoy substantial legal protections in Ghana, and many operate in both the public and private sectors.
- Various affiliates of the Trade Union Congress are actively involved in organizing workers in the informal sector around issues of health and safety, hours of work, annual leave, and medical care.

-- The GOG continued to implement the 2006-2011 National Plan for Elimination of Child Labor in Ghana. The government is collaborating with ILO-IPEC on a 4-year, \$4.75 million USDOL-funded "Timebound" program, launched in 2004, which establishes timeframes

for progress on the elimination of selected worst forms of child labor in Ghana.

-- In July 2003, the National Labor Commission, an independent body that arbitrates labor disputes, was established to bring Ghana's labor laws into conformity with the ILO Convention. It became operational in 2005.

-- In October 2005, the newly-created Union of Industry, Commercial and Financial Workers (UNICOF) was incorporated, representing the interests of workers at Ghana Commercial Bank, Standard and Chartered Bank, Ghana National Procurement Agency, and Agricultural Development Bank, among others.

-- In spite of some problems on its human rights record, the GoG continues efforts to improve its human rights practices.

-- Police received training in tactics of non-lethal force and human rights protection.

The GoG has increased its efforts to fight trafficking in persons through cooperation with NGOs and international organizations to identify and return internally trafficked children. In February, the GoG prosecuted successfully prosecuted a trafficking case for the first time.

-- Ghana is a signatory to ILO convention 182 on the worst forms of child labor. The GoG has made combating child labor and trafficking a high priority. Several ministries worked closely with the international NGOs to conduct studies on child labor exploitation and regional trafficking, including the Ghana Statistical Service, which published an ILO-financed survey of child labor in Ghana in March 2003.

-- Ghana is working closely with the U.S. and other donor countries to assess the extent of the problem of cross-border trafficking.

-- The GoG passed the Domestic Violence Bill in February 2007. The Act defines and provides greater protection to victims of domestic violence. The GoG also strengthened the Domestic Violence Victim Support Unit to support women and children who have been victims of domestic violence, and the courts increasingly gave longer sentences for those crimes.

-- In June 2007, Criminal Laws were amended to confer jail sentences on practitioners of Female Genital Mutilation.

#### 12. Major Issues/Problems Identified

-- While the law allows unions to conduct most of their activities without interference, only unions that represented the majority of workers in a given company can obtain a Collective Bargaining Certificate, which is required to engage in collective bargaining.

-- Child labor is a problem in the informal sector, and forced child labor and trafficking in persons are problems. Some children as young as four years old are forced into dangerous work in the fishing industry via arrangements under which their parents get around \$180 per year for their service. Aided by international organizations, the GoG is working to eliminate this practice.

-- Violence against women and children continues to be a problem. Domestic abuse was rarely prosecuted and the cases were often on trial for three years or more.

-- Female genital mutilation (FGM) is practiced, particularly in the northern regions of the country.

-- Societal discrimination against women, persons with disabilities, homosexuals, and persons with HIV/AIDS occurred throughout the country, particularly in rural areas.

#### International Terrorism/U.S. National Security

#### 13. Major Strengths Identified

-- The GoG has been explicit in its sympathy and support for the United States regarding September 11 and the fight against terrorism. It has ratified or acceded to all international anti-terrorism conventions.

#### 14. Major Issues/Problems Identified

-- Narcotics trafficking and financial crime are serious and growing problems.

-- GOG police and counterterrorism institutions are weak. Ghana lacks anti-money laundering/terrorism finance legislation.